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24 October 1957

CURRENT INTELLIGENCE WEEKLY SUMMARY



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PART I**OF IMMEDIATE INTEREST****MIDDLE EAST DEVELOPMENTS**

The UN General Assembly voted to postpone discussion of the Syrian-Turkish issue until 25 October to permit further efforts to reduce tension in the area through local intermediaries.

been moved toward the Turkish frontier. Damascus radio has made much of the distribution of arms to the leftist-led "futuwa" resistance groups. Antiaircraft positions and anti-sabotage posts have been established in Latakia and Aleppo.

Additional Egyptian units reportedly have been alerted to reinforce the 1,000-1,500 troops already in Syria.

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The Turks, with military concentrations in the vicinity of the Syrian border, are maintaining a state of readiness. Large-scale maneuvers have been rescheduled to begin on or about 1 November. A major air deployment is expected prior to that date, probably on 29 October. Ankara remains calm in the face of continuing Soviet threats and warnings.

Syrian military preparations appear to be gathering some momentum. Tanks, troops and additional artillery have

The Jordanian government is still laboring under the disadvantage that most Jordanians believe it is an instrument of Western "imperialism," while they look upon the Syrian regime as representing a truly "liberated" Arab state. Six anti-Western members of the Jordanian parliament resigned

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last week in an attempt to counter the effect of the cabinet's victory in a confidence vote and to embarrass the government by depriving it of the necessary quorum of 27 out of a lower house of 40-members.

The government has decided to hold by-elections for these six seats; it plans to deal with the problem of other vacancies created by the arrest and exile of seven other members when the quorum is restored. However, the by-election almost certainly will be used by the Jordanian opposition as well as by Syrian and Egyptian agents as an occasion to step up their campaign of subversive propaganda, terrorist bombings, and sabotage. The changes in the cabinet this week would seem to weaken still further any vestiges of popular support for the government.

The Israelis are keeping quiet on the diplomatic front. The Israeli air attack on a Jordanian commercial transport near Aqaba appears to have been an isolated incident.

Soviet Moves

The USSR has intensified its efforts in the General Assembly to rally support for the Syrian complaint. On 20 October, Gromyko met with the delegations of several Asian-African nations to impress on them Soviet willingness "to use force" if necessary to support Syria. Gromyko's 22 October speech in support of immediate General Assembly consideration of the Syrian situation restated So-

viet willingness to join other members in suppressing any Turkish attack on Syria and again promised that the Soviet Union would "take all the necessary steps to extend assistance to the victim of aggression."

This cannot be taken as a specific indication of Soviet intention to intervene unilaterally. The appointment of Soviet Marshal Konstantin Rokossovskiy--a commander well known in the West--to head the relatively unimportant Transcaucasus Military District probably was intended to heighten psychological pressure on Turkey.

Moscow propaganda continues to exploit the alleged plot against Syria in an effort to foment world-wide anti-American sentiment and in particular to foster Arab suspicions of American Middle East policy. TASS, in a long "authorized" statement on 18 October, reviewed the history of the "plot" and revealed details of a "secret plan" of complex military operations designed to overthrow the "legitimate government" of Syria and to establish a regime in American pay ready to conform to American policy.

Moscow's present heavy propaganda concentration on Syrian developments, the greatest volume devoted to the Middle East since the attack on Egypt, now features charges that an American-planned, -instigated, and -assisted Turkish attack on Syria is to take place shortly after the Turkish national elections on 27 October.

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FRENCH POLITICAL CRISIS

Mollet's chances of ending France's political crisis have slipped in the face of widespread public criticism of his program. While the full extent of assembly opposition will not be known until his investiture speech on 28 October, many deputies he had expected to at least abstain seem determined to vote against him.

The atmosphere of widespread strikes and continuing financial deterioration may still aid Mollet's prospects, but both the Popular Republicans and the Independents appear to be split on the question of support.

Much will depend on how well party leaders can limit the opposition to Mollet and the Socialists in each group. Some of Mollet's program which is expected to include reform aimed at improving government stability by suppressing confidence votes can be expected to alarm many deputies. The French press, moreover, is unanimously dissatisfied with Mollet's program and believes that he would command a weak majority at best.

Meanwhile France's financial difficulties continue. Workers have become increasingly alarmed over price rises and union leaders have been pushed into strike agitation even though the government in its caretaker capacity has no authority to satisfy their grievances. The one-day power strike on 16 October was effective because foremen and technicians cooperated. The success of that undertaking has encouraged the unions in plans for agita-

tion on 25 October. Although the Socialist-led Workers' Force has refused to participate, the Christian Workers' Federation and the Communist Confederation--possibly supported by farmer demonstrations--plan



MOLLET

nationwide work stoppages on 25 October in a broad range of industries.

Even if Mollet wins investiture he will be faced almost immediately with the need to synthesize the budgetary preferences of business interests and his own party's social welfare aims. There is little likelihood that he will be able to reduce the deficits of \$2.5 billion in the budget and \$1 billion in trade anticipated by the end of 1957. New slippage in the black-market franc value to 461 to the dollar (the official rate is 420) has already renewed speculation as to further devaluation, and Schuman indicated in his report that France may again have to seek external aid.

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PART II

NOTES AND COMMENTS

DISARMAMENT SITUATION IN UN GENERAL ASSEMBLY

On the basis of committee discussion to date, American, British, French, and Canadian delegates in the United Nations believe that if the 24-power Western disarmament resolution can be brought to a vote before those being advanced by Japan and the USSR, it will be adopted at this assembly by a comfortable margin. If the Western proposal is not voted on first, however, the Japanese compromise proposal calling for a temporary suspension of nuclear testing may provide a rallying point for the uncommitted countries anxious for some type of disarmament agreement, particularly on testing.

The Western resolution was introduced only on 11 October and the General Assembly rules call for voting on proposals in the order in which submitted, unless a majority of members decides otherwise.

The Soviet proposals for a two- to three-year test suspension and a five-year renuncia-

tion of the use of nuclear weapons were introduced on 20 and 23 September, but they do not appear to have sufficient support, even if brought to an early vote.

The Japanese proposal, which calls for an immediate suspension of nuclear tests and for resumption of subcommittee negotiations on supervision and inspection, was introduced on 23 September. It does not meet the West's demand for immediate supervision of the test ban or for the halting of nuclear weapons production.

If a majority votes to take up the Western resolution out of order, governments with domestic public opinion problems about radiation could then assure their people that they had supported the only feasible test suspension proposal. A negative vote thereafter on other test suspension proposals, such as Japan's, probably would not be interpreted at home as favoring continued unrestricted testing.

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PEIPING CENTRAL COMMITTEE PLENUM SETS LINE FOR PARTY CONGRESS

The Chinese Communist party's central committee plenum, meeting in Peiping from 23 September to 9 October, reflected the regime's preoccupation with the problem of agricultural production and the need to revive mass support for the party in the face of hostile criticisms from "rightists." Teng Hsiao-ping, secretary general of the party, dealt with these topics at length in his report to the plenum, and they will probably

be the main items of business during the next party congress --which, Teng announced, would be held before the end of the year.

The discussions on agriculture were apparently inspired by concern over failure of the collectives to stimulate production and fulfill state procurement programs. Two to three million peasant households have withdrawn from the collectives

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in the past six months, the withdrawals apparently having been heaviest among the upper-middle peasants, the most productive farmers. The party plenum adopted an as yet unspecified revision, the seventh since early 1956, in the draft long-range plan for agriculture (1956-67).

The People's Daily has editorially spoken of the "necessity and feasibility" of increasing agricultural output by 20 to 30 percent over the next five years. Realizing that the success of such a program depends in large part on peasant morale, Teng suggested at the plenum that the regime's campaign against its "rightist" critics would have to be carried on with circumspection in the countryside. Denunciation, "struggle" meetings, and the extraction of confessions, he said, would not be resorted to in the rural areas. Peasants will not be branded as rightists except in unusual cases, and the main reliance is to be placed on "using words, not hands."

Elsewhere in the country, the drive against rightists will be pushed with a stronger hand. Teng decried the demands made last spring by Chinese intellectuals for "so-called freedom of the press, freedom

of publication, and freedom for literature and arts" and declared that criticism would be tolerated in the future only if it did not challenge the supremacy of the Communist party or Peiping's basic policies. He did not suggest any present plans for extensive bloodletting, but held out the possibility of drastic action against some rightists by his warning that contradictions of a "you die, I live" nature separated them from the masses.

The drive against rightist critics has been made a part of the "Cheng Feng" movement to "rectify" mistakes in party and government work which has been broadened into a nationwide campaign. Peiping seems particularly concerned about the uneven quality of its party cadres. The party has expanded since 1945 from 1,200,000 to 12,700,000 members, and another weeding out is clearly ahead. This is likely to result in the expulsion of 5 to 10 percent of the membership and will probably reach into the central committee. Teng acidly observed at the plenum that too many party members now suffer from "bourgeois individualism to a serious degree and have set their minds on the pursuit of personal comfort, fame, and position."

(Prepared jointly with ORR)

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PRESSURE INCREASES FOR UNIFICATION SETTLEMENT IN LAOS

Laotian Prime Minister Souvanna Phouma and Pathet Lao chief Souphannouvong have agreed on a joint communiqué which considerably increases the prospects of a settlement of the unification issue and early entry of Pathet Lao representatives into the Laotian cabinet. The communiqué,

which will probably be published shortly, is largely a restatement of the 28 December 1956 agreement. It contains, however, certain more specific Pathet concessions concerning the dissolution of Pathet fighting forces, the surrender of war materiel, and the re-establishment of royal authority over the two Pathet-controlled provinces.

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In return the Pathets will participate in a coalition government, win legal recognition of their front organization as a political party, obtain legislative guarantees of their civil rights, and have an opportunity to integrate qualified troops and functionaries into the royal army and civil service.

It is not clear whether all the details of implementing this settlement will be agreed to before or after the formation of a coalition government, although the joint political commission on 22 October signed an agreement outlining the details of the turnover of the two provinces and the establishment of the coalition. It also appears that only a symbolic turnover of the Pathet provinces and army will precede the entry of the Pathets into the government.

The communiqué, nevertheless, appears to have widespread support in the royal government. Souvanna claims the cabinet, which is predominantly conservative, has already given its approval. In fact,

Interior Minister Katay, Souvanna's severest critic and a restraining influence in the past, has stated his emphatic approval of the agreement.

[redacted] support for a settlement of the unification issue along the lines of the communiqué is so widespread that to take steps to block its issuance would produce a net unfavorable reaction [redacted]

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Both Pathet chief Souphanouvong and the Polish truce commissioner are striving to sustain the impression that the Communists mean business this time. Souphanouvong has given assurances that he is empowered to sign a definitive settlement without first returning to Sam Neua headquarters for "consultations."

On balance, it would seem that the Pathets have adopted more flexible bargaining tactics and that increasingly heavy pressure for a settlement is being generated. Unless the Pathets once again overreach themselves with additional demands or back down on promises during negotiation of details, an early settlement appears likely. [redacted]

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PEIPING PRESSES KISHI ON CHINA POLICY

Seeing no signs that Prime Minister Kishi of Japan is responding to Chinese Communist overtures for closer political ties, Peiping has become increasingly critical of his government. The Communists accuse him of being an American puppet whose stand on China is "hostile" to Peiping and "inimical to the interests of the Japanese people," and they seem to be banking on the hope that Japanese public opinion will force Kishi to modify his policies.

A recurring theme in Peiping's recent attacks on the Japanese government is the charge that Tokyo's "subservience" to Washington will isolate Japan from the rest of Asia. Propaganda play is also being given to alleged American boycotts of some Japanese goods, and the Japanese are told that their government's dependence on the United States presents Japan with unnecessary political and economic problems.

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Kishi intends to maintain ties with Taiwan while working toward increased trade, free of formal relations, with the mainland. Kishi reportedly informed Prime Minister Nehru during the Indian's recent visit to Japan that he favors the continuation of Japan's free world ties and is adamantly opposed to recognizing Communist China at this time. Kishi insists that such recognition will not come about until the regime is admitted to the United Nations. He has been severely condemned by Peiping for Japan's recent vote in favor of another year's moratorium on Chinese Communist admission.

Peiping is also concerned over Japanese preoccupation with the "two Chinas" concept as a method for improving relationships with the mainland short of cutting ties with Taiwan and jeopardizing US-Japanese relations. Apparently in an effort to forestall the possibility of Japan gathering international support for a "two Chinas" solution, Chou En-lai has strongly criticized the "two Chinas" trend in Japan, declaring that Peiping would never permit diplomatic exchanges with a government which sought to recognize both Peiping and Taipei. Chou asserted a willingness to wait 10 or 20 years for "normalization" of

Sino-Japanese relations rather than accept a "two Chinas" arrangement, which he said would be advantageous to the United States.

In working to accomplish its objective of closer relations with Tokyo and a reduction of Japanese ties with the United States and the Chinese Nationalists, Peiping still considers its strongest lever to be public pressure in Japan for large-scale trade with the mainland. In trade talks now entering their fifth week in Peiping, the Japanese delegation, with semiofficial backing from the Kishi government, has proposed a trade agreement, a cash payment formula, and an exchange of permanent trade missions. Peiping, however, is demanding a larger mission staff with more extensive diplomatic privileges than Tokyo has been willing to grant.

There is likely to be some dissatisfaction in Japan if the talks prove to be inconclusive. Some Japanese trading circles are beginning to doubt that Peiping has either the cash or goods to pay for a significant expansion of Japanese imports. They are wary of Chinese negotiations with West European trade delegations, however, and are anxious to prevent inroads in China by their competitors.
(Concurred in by ORR)

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JAPAN-SOUTH KOREA RELATIONS

Informal discussions between Japanese and South Korean officials have not resulted in a mutually acceptable basis for resuming official negotiations, and the talks are stalemated over South Korea's continued refusal to waive property claims against Japan. Prime

Minister Kishi's government, which had made several concessions in a vain attempt to obtain the release of Japanese fishermen detained in Pusan, now has adopted mild coercive measures.

Official negotiations for the normalization of relations

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between Seoul and Tokyo were broken off in October 1953, but appeared about to be resumed last June. At that time the Kishi cabinet, anxious for the release of the some 900 detained fishermen, showed a willingness to waive its own property claims against Korea and to withdraw insulting statements made four years previously by a Japanese negotiator. President Syngman Rhee, however, rejected the draft agreement at the last minute. Instead, he insisted he would not be bound by an American interpretation of the peace treaty with Japan to the effect that the Korean takeover of Japanese property in Korea to a large extent cancels out Korean claims against Japan.

Japanese reaction to what they believed to be South Korean perfidy was one of bitterness and adamant opposition to further concessions. Early this month the Japanese Foreign

Ministry refused to cosponsor a resolution in the United Nations calling for the admission of South Korea. Japan had sponsored such a resolution in the previous General Assembly session, but contended this time that since Japanese were not even permitted to enter South Korea, it could not cosponsor the resolution. After American intercession in both Tokyo and at the UN, the Japanese government reluctantly reversed its position.

This incident tends to emphasize Tokyo's opposition to further concessions and may indicate a gradual hardening of the official Japanese attitude toward Seoul. President Rhee, however, is under no compulsion to reach an understanding with Japan and is likely to press both his property claims and his demands that the Japanese recognize the Rhee fishing line.

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INDONESIA

The Indonesian prime minister and army chief of staff are in North Sumatra in an effort to resolve a new military crisis there before the opening of a second national conference --planned for mid-November.

The North Sumatran commander, Lt. Col. Gintings, fled to the interior on 18 October, evidently fearing a local coup.

Army Chief of Staff General Nasution has announced that Gintings is still in command, although he has not returned to his post in Medan.

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It is to be expected that this latest incident will serve as

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another irritant in the nationwide provincial antagonism toward Djakarta.

Prime Minister Djuanda has announced a second national conference to be held in Djakarta from 15 to 22 November. According to the government, the purpose of the conference is "to realize decisions in the field of development" which were taken at the September conference and to assure that the entire nation is participating in development efforts.

Some 1,400 delegates will be invited, so it seems unlikely that the conference can be more than a speech-making session, with the government informing the delegates of its plans and good intentions. Djakarta officials will probably use the conference to explain the projected national planning board. The large number of delegates has probably been invited in the hope that government plans will thereby reach a greater proportion of the knowledgeable public in the provinces.

Djuanda is trying to persuade former vice president Hatta to chair the meeting, apparently hoping that Hatta's

presence in an official capacity would compel provincial leaders to attend the conference and support its recommendations. The disaffected commanders, however, have renewed their efforts to achieve a united opposition to Djakarta, and they reportedly were disillusioned with Hatta's failure to speak strongly for regional interests at the first conference.

Hatta has concluded his visit to Communist China and is now in Japan. He appears to have been impressed with Chinese construction and reportedly was convinced that methods embodying the "discipline" and "sense of organization" of the Chinese Communists should be adopted in Indonesia, but has made it clear that Communist ideology is unacceptable. His visit in Japan, where he is discussing the reparations problem informally, may indicate his willingness to assume an official post when he returns to Indonesia. There is no indication, however, that he has decided to abandon his opposition to President Sukarno's program of "guided democracy," which involves Communist participation in a strongly centralized government.

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POLICIES OF PAKISTAN'S NEW GOVERNMENT

The platform announced by Pakistan's new government differs from that of the former Suhrawardy coalition more in emphasis than in basic content, with the notable exception of its policy on election techniques. Prime Minister Chundrigar probably will be influenced to some degree by the conservative "Islamic" thinking char-

acteristic of his Moslem League, in contrast to the more "liberal" outlook of Suhrawardy. The cabinet he announced on 19 October reflects the dominance of West Pakistani interests in the new government and is likely to increase the unfavorable reaction already evident in East Pakistan.

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In the domestic field, Chundrigar has revived one of the most bitterly contested issues in Pakistan's recent history by revealing his plan to discard the joint electorate system enacted last April and reintroduce the traditional method of segregating Moslem and Hindu voters when the national elections are held. The Moslem League has long opposed Suhrawardy's policy of joint electorates in which the two communities are enrolled together and vote for the same candidates. Its leaders apparently are motivated by the fear that the Hindu minority might control the balance of power among opposing Moslem political parties if they are not segregated from the majority community in the holding of elections.

The joint system is widely supported in East Pakistan, where nearly all the Hindus in Pakistan remain, and the new coalition's reversion to the old system instituted by the British government is likely to set off a new wave of resentment in the eastern province against the central authorities. While Chundrigar claims that amending the electoral act will not interfere with earlier plans to hold elections in November 1958, it is doubtful whether such a change can be implemented without seriously delaying the complicated election preparations now under way.

The lack of equal representation for East Pakistan, which has 55 percent of the country's population, is further underscored by Chundrigar's

choice of ministers. He has retained four influential Republican party members of Suhrawardy's cabinet and appointed five other prominent West Paki-



CHUNDRIGAR

stan politicians representing both his own Moslem League and the Republicans. The ministers selected from the East Pakistan parties in the coalition are considered to be discredited in their home province and do not command any significant following.

Chundrigar declared that his government would maintain Pakistan's support of the Baghdad pact and SEATO. Relations with the United States probably will continue to be cooperative, though perhaps somewhat more reserved than under Suhrawardy. Chundrigar will be under pressure from other Moslem League leaders inclined toward a more anti-Western, "pan-Islamic" policy, although this pressure probably will be balanced by President Mirza's strongly pro-Western views.

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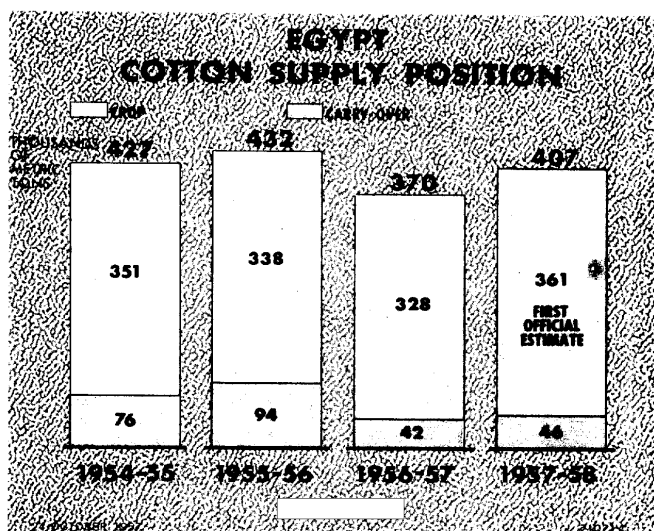
RECENT DEVELOPMENTS IN EGYPT'S COTTON SITUATION

After two years of trading a major portion of its cotton crop through barter arrangements with Communist countries, Egypt now will attempt to put most of its cotton exports on a cash basis.

obtain scarce hard currency will be discontinued after December.

Since the 1954-55 season, when bloc purchases amounted to about 30 percent of total

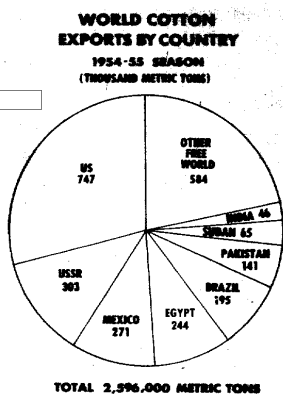
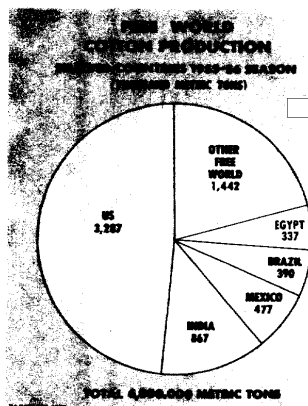
In what amounted to open recognition of dubious Soviet trading practices, officials of the Egyptian Ministry of Finance recently complained publicly that certain barter transactions had led to increased prices of imported goods which resulted in a general price increase within Egypt. While barter trade generally is to be sharply limited, cotton may still be bartered for principal commodities --presumably items such as wheat and petroleum--but only after their world price has been determined. The practice of granting substantial discounts to buyers in an effort to move cotton and



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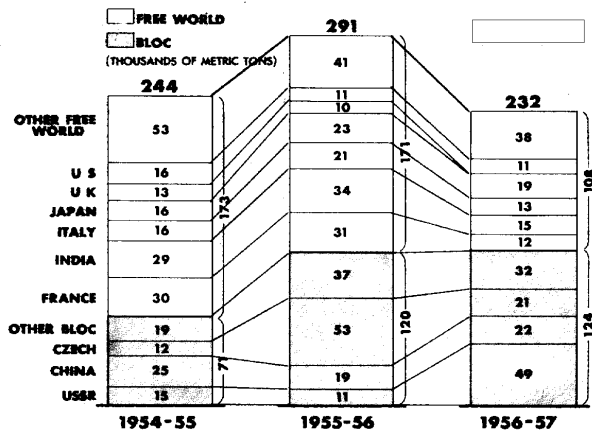
sales, the Communist world has become Egypt's most important customer. Despite large sales to Communist countries--53 percent of total cotton exports in 1956-57--Egypt's stock of unsold cotton this year was 10 percent higher when the season closed on 31 August than it had been a year earlier. In fact, it appears that a disastrous marketing season was only narrowly averted by substantial purchases by France and the USSR during August.

While cotton sales to bloc countries have been an important help

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EGYPT: COTTON EXPORTS BY DESTINATION

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to the Cairo regime, especially in financing arms purchases, they have been a mixed blessing. The Communist practice of paying above the going market price for Egyptian cotton in exchange for overpriced Communist goods steadily drove Egypt's cotton prices further out of line with the world price structure. American sales of surplus cotton have also cut into Egypt's former markets. Prospects for the 1957-58 season are not good.

ton principally from the Soviet bloc.

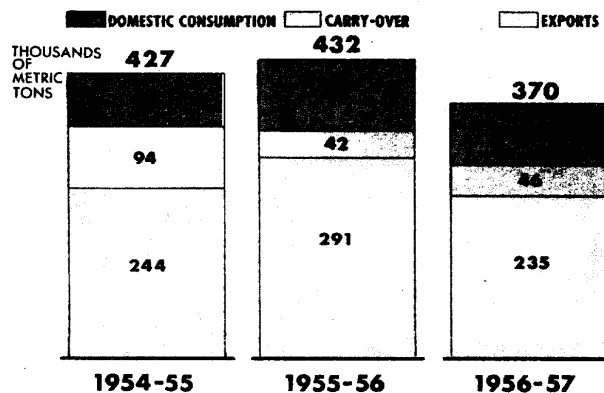
The gradual release of the sizable American stockpile of long-staple cotton, plus the substantial increase in American production of that type of cotton, will also have adverse effects on Egyptian cotton sales. In addition, the continued high price of long-staple cotton in recent years has caused manufacturers in Western Europe to change over gradually to synthetic fibers and to

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shift from long to shorter staple cottons. This is resulting in a permanent decrease in Western Europe's needs for Egyptian cotton.

Cairo will thus probably again depend heavily on the Communist world to take the bulk of its cotton exports during the current marketing season.

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**EGYPT
DISPOSITION OF COTTON SUPPLY**

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There is considerable doubt among foreign missions in Cairo that the Egyptian export program for 1957-58 will be attractive to free world buyers. Swiss buyers, who have been able to obtain their requirements of Egyptian cotton from the Soviet bloc at 20 to 30 percent less than Egyptian market prices, will continue to obtain their cot-

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MILITARY COUP IN GUATEMALA

A three-man military junta seized control of the Guatemalan government early on 24 October after two days of violent popular demonstrations and a growing general strike protesting what opposition presidential candidate Ydigoras Fuentes called a fraudulent election on 20 October. The election has been annulled and a new election will probably not be held for some time. The new military government will probably be able to suppress agitation by leftists and Communists who joined in the postelection disturbances.

The junta is composed of officers who have not been prominent in army or political affairs in recent years, and their selection was probably a compromise among leading officers, most of whom are weakened by opposing cliques in the faction-ridden army. The most prominent junta member is the ambitious, conservative-minded Colonel Oscar Mendoza, former army chief of staff who was demoted by the late President Castillo Armas in early 1955 after numerous reports alleged that he and his brothers, Colonels Miguel and Rodolfo Mendoza, were plotting a coup. Other junta members are Colonel Roberto Lorenzana, commander of an outlying military district, and Colonel Gonzalo Yurrita Nova of the air force.

The defense minister, Colonel Juan F. Oliva, who had heretofore held the army together, apparently was unsuccessful in resisting pressure from his colleagues to form a junta, and his former unifying influence appears to have been seriously weakened, if not destroyed. The 30-day state of siege decreed on 22 October remains in effect.

In the 20 October election, which Oliva had ordered annulled shortly before the junta seized power, Ydigoras received overwhelming support from the country's urban, politically conscious minority. The administration candidate, Ortiz Passarelli, won a bare majority of the votes only by virtue of the control exercised by the government political machine over illiterate Indians in rural areas, some of whom were probably voted repeatedly.

In the violent popular protests following the announcement of election returns, leftists and Communist-inspired elements joined in, and a general strike called by the rightist Ydigoras was supported by a strike of railroad workers. Leftist student groups had already gone on strike. The Guatemalan army is strongly anti-Communist, and the new government will probably be able to suppress any further leftist to Communist-inspired agitation.

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THE ARGENTINE SITUATION

The Argentine government, with the aid of non-Communist labor leaders, appears to have thwarted the Peronista-instigated general strike effort on 22 and 23 October through vig-

orous security precautions. The Aramburu regime still faces, however, growing pressure from all labor sectors for cost-of-living wage increases.

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As in the general strike of 27 September, the Peronista-influenced industrial and port unions were the strongest supporters of the strike movement. Industry was almost completely shut down, but most service establishments remained open.

The government outlawed the strike, stationed armed guards at strategic locations, and made a few dozen arrests. On 23 October it announced some moves toward holding down prices, in an evident effort to meet labor's genuine grievance over living costs, which have risen 30 percent since 1 January.

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ITALIAN SOCIALIST REUNIFICATION

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The prospects for reunification of the Italian Socialists before the 1958 national elections diminished further this week when the Democratic Socialists' congress set conditions for reunion which the dominant pro-Communist faction in Pietro Nenni's Socialist party will prevent him from meeting. There is still, however, considerable reunification sentiment in both parties.

At the congress, which met from 16 to 20 October in Milan, the Democratic Socialist party secretary set two alternatives. He said Nenni must accept terms agreed to by the Socialist International and the Democratic Socialists or permit a mixed Socialist committee to lay the groundwork for a united Socialist party, with the Democratic Socialists determining relations with the Communists and the Nenni Socialists deciding the party's attitude toward the Christian Democrats.

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Meanwhile, leaders of strong factions in both the Italian Socialist parties are expressing interest in eventual reunification, and there are a few isolated examples of de

facto cooperation between the two parties and the Christian Democrats in local governments where Christian Democratic - Social Democratic coalitions depend on Nenni Socialist support.

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SOVIET GOLD SALES TO THE FREE WORLD

In view of its gold sales to the free world in 1957, probably totaling \$180,000,000, the USSR may fail this year--for the first time in the postwar period--to add significantly to its estimated \$4 billion gold reserves. Most of these sales took place during the first four months. While only small gold transfers have occurred recently, the USSR may re-enter the market later this year to procure additional hard currency to fulfill its early October agreement to lend \$75,000,000 in foreign exchange to East Germany in 1958.

In the postwar period, the only extensive Soviet exports of gold have occurred following the grant of large foreign exchange loans to the East European satellites. The first such large Soviet gold transfers occurred in 1953 and amounted to approximately \$150,000,000.

The USSR used the proceeds from these sales to meet both a foreign exchange commitment of about \$34,000,000 to East Germany and the foreign exchange needs related to its own expanded consumer goods import goal. In 1954 and 1955, Soviet gold sales amounted to only \$70,000,000 and \$90,000,000 respectively.

The more recent extraordinary sales, \$150,000,000 in 1956--two thirds of which followed the autumn upheavals in Eastern Europe--and \$180,000,000 this year, were motivated primarily by requirements for hard currency loans to the satellites and, to a lesser extent, by Soviet purchases of raw materials and semiprocessed goods in the sterling area. Since the East European disturbances of 1956, the USSR has agreed to provide more than \$225,000,000 in foreign exchange loans to the satellites. (Prepared by ORR)

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POLAND SETTING LIMITS TO LITERARY FREEDOM

The appearance of increasingly controversial articles in Polish journals during the past few months is of concern to Warsaw because of the pressures they encourage for more liberal policies and of the unfavorable Soviet and Yugoslav comment they have occasioned. Outspoken criticism of articles by Polish

scientists, philosophers, economists, and sociologists have appeared in Soviet journals in the past three months.

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Gomulka himself has never approved of the public expression of opposition to party views, particularly by party members. He has already closed down one of the worst offenders, Po Prostu, after efforts over the past year by the party to curb the journal. The disturbances which followed the closing of Po Prostu and the increasing dissatisfaction among Polish intellectuals have made clear the regime's need to move carefully in placing limits on journalistic expression.

In an attempt to resolve the broad issues involved, the regime has appointed a commission of the Polish Journalists' Association to draft a new press act for the regulation of "the whole activity of the press." The act will outline the legal responsibility of a journalist and distinguish "criticism from slander and insult." It was reportedly under politburo consideration on 9 October, and may have been the result of several ad hoc discussions between party leaders and representatives of the journalists, the most recent of which took place on 5 October. The issues involved in such regulation of literary expression may well be a major subject of the tenth plenum of the Polish party, which reportedly convened this week.

Soviet articles appearing in the past few months have criticized articles written by

Polish economists who had advocated the study of Western economic theory and the application of the results of Western economic research. They have launched an attack on Polish criticism and abandonment of socialist realism in art, and have aggressively defended Soviet literature against the "slanders" of Antoni Solninski, chairman of the Polish Writers' Association, and against the sins of omission committed by the new quarterly of the Polish-Soviet Friendship Society. Severe criticism was contained in an article released to Soviet printers on 9 September which charged with revisionism Polish scientists and philosophers who write in the journal Philosophical Thought. It chose five individual contributors for detailed condemnation.

Several articles have been published in Poland in the past few weeks which will almost certainly draw additional Soviet criticism. Noteworthy among these is a three-part series published by Poland's now famed "revisionist," Kolakowski, which has already been exposed to rather thorough criticism within Poland and from a Czech philosopher. These recent articles have probably sharpened the growing struggle between the party and liberal journalists and will force the party to take prompt, legally defined steps to curb such expressions.

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CONFIDENTIAL~~**SECRET**~~**CURRENT INTELLIGENCE WEEKLY SUMMARY****24 October 1957****PART III****PATTERNS AND PERSPECTIVES****THE USSR AND AFRICA**

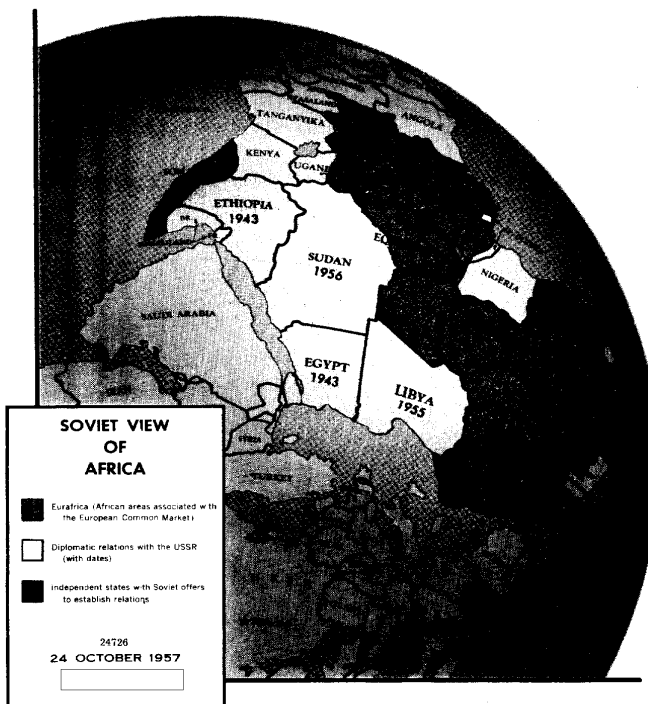
Since the Soviet 20th party congress in February 1956, the Soviet drive to establish a "zone of peace" to the rear of the NATO and Baghdad pact countries has been carried into Africa, the "last refuge of colonialism," from which it is hoped to eliminate Western influences. By developing close relations with independent African states and encouraging indigenous nationalist and neutralist movements throughout Africa, the USSR hopes to force the West to abandon its bases and economic activities in this area.

Soviet bloc interest in Africa has intensified since 1955, and at the 20th party congress it was asserted that the Asian-African nations and the Sino-Soviet bloc constituted a united front against imperial-

ism. In December 1956 the Communist-dominated Asian Solidarity Committee decided to broaden its membership to include African nongovernmental leaders, and Egyptian President Nasir has given approval for the Asian-African Solidarity Committee of nongovernmental leaders to hold its conference in Cairo late this year.

Since 1955 the USSR has established diplomatic relations with Libya and the Sudan and has promptly recognized and offered relations to the newly independent states of Ghana, Morocco, and Tunisia. It raised its legations to embassies in Egypt and Ethiopia, made diplomatic overtures to Liberia, and sent diplomats on official visits to the Belgian Congo and Somalia.

During the past year the bloc has multiplied its economic overtures and arms offers to newly independent African states. The USSR has asserted in broadcasts, TASS statements, and private approaches that its peaceful intentions make Western bases in Africa unnecessary, warning that if the USSR were "forced" into nuclear retaliation, such bases would be hazardous. At the same time Moscow has displayed a marked uneasiness toward the "Eurafrica" investment and development schemes being formulated as part of the Common Market plan, which it regards as a Western attempt to institutionalize the economic

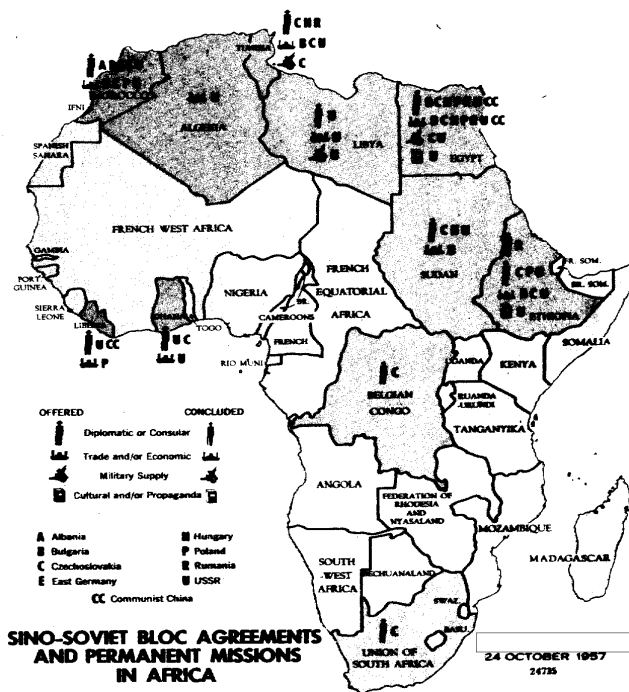
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and political dependence of African states. Eurafrika refers to the African areas associated with the member countries of the Common Market.

Egypt

Egypt occupies an important position in Soviet plans for Africa and the Middle East. Moscow appears to believe that by strongly supporting Nasir's ambition to play a leading role in African affairs, it can best weaken Western influence and induce newly independent states to abandon their dependence on the former colonial powers in favor of an ultranationalist, ultraneutralist orientation.



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and the Sudan suggest that this propaganda is not so effective as Moscow might wish. Articulate Africans are scarcely aware of Moscow's cease-fire role, and the Sinai invasion is for the large part forgotten.

Soviet-Egyptian arms agreements have encouraged Nasir to circumvent Western embargoes or agreements promulgated elsewhere in Africa.

The USSR has cooperated with Egypt to spread anti-Western propaganda in Ethiopia, Somalia, Libya, and especially in the Sudan and to persuade these governments to adopt neutralist positions.

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Using Soviet bloc radio equipment, Cairo's open and clandestine broadcasts of anti-Western propaganda throughout Africa have also served Soviet interests. Cairo has played up the Soviet role during the Sinai invasion as evidence that Moscow supports African attempts to flout the West.

However, reports in July from American posts in Morocco, Ghana, Nigeria, Ethiopia, Libya,

In June, the USSR purchased cotton valued at \$2,200,000 from the Sudan and later made a formal offer of extensive economic assistance which the Sudan is considering. Probably with Egyptian encouragement, the Soviet embassy leaked the text of the offer--to the discomfiture of the predominantly pro-Western Sudanese government,

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which is concerned over its possible adverse effects on next February's elections.

Egyptian Communists have been useful to Nasir--and thus to the Russians--as an example to publicize Egypt's independence of Soviet influence. Their proscription from election rolls this summer and the scheduled trial this fall of 18 Communists are used by Nasir to hide his close bloc ties.

North Africa

In North Africa, the USSR has assigned a high priority to the disruption of Western agreements covering strategic air base rights and raw material development.

Between the 20th party congress and the Sinai invasion in October 1956, the USSR pursued a relatively moderate policy on Algeria in order to improve relations with West European Socialists, including the Mollet government in France. Strained relations between the USSR and France over Suez and Hungary, however, were followed by renewed Soviet and French Communist attacks on French policy in Algeria.

The USSR probably will exploit the Algerian question in the present UN General Assembly in the belief that Algeria is an emotional issue similar to Israel in its potential for alienating Africa and the Arabs from the West and for splitting the West itself. Syrian Defense Minister Azm asserted in August that shipments of bloc arms would be made to the rebels.

Tunisia, the most pro-Western Arab state, presents a

special challenge to Moscow's claims of inherent Arab-Western incompatibility. The Soviet delegation to Tunisian independence ceremonies in March urged that the country establish diplomatic relations with the USSR.

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In July, the USSR and Tunisia concluded a trade agreement.

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In September 1956, Moscow requested diplomatic relations with Morocco. Last April it concluded its first direct trade agreement with the country, hoping to give Rabat a sense of independence in regard to the American base negotiations which began the following month. It has also sent three purchasing missions to outbid the West in limited nonstrategic raw material purchases.

Soviet economic and arms offers to Libya last year were doubtless closely coordinated with Nasir because of his interests there. Aimed primarily at rendering the political climate unfavorable toward American base rights, these offers have recently been used as bargaining instruments by Tripoli to gain increased Western benefits. In August the Soviet military attaché reiterated Moscow's "hopes to increase the size of the Libyan army and to equip it." Libya has apparently given Soviet arms offers no encouragement and has asked all military attachés, including the Soviet and Egyptian, to leave the country.

Black Africa

The USSR has sought closer ties with the colonial and independent states of Black Africa primarily to preclude their

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absorption into Eurafrikan or NATO groupings. Moscow probably views the Western concept of "orderly transition" toward self-government a means for transforming old colonial ties, through economic inducements, into new anti-Communist groupings. Because of its geographical remoteness from the area and the small amount of influence it exerts there, the USSR is encouraging Black Africa to join the Bandung powers in an enlarged "zone of peace." It is prepared also to extend economic aid with immediate and noticeable benefit to offset the area's dependence on the West.

Moscow probably welcomes the competition for leadership in West Africa between Ghana and Liberia as favoring the prospects for concluding diplomatic relations with these countries. President Tubman of Liberia has declined three invitations to visit the USSR since a Soviet delegation attending his inauguration in January 1956 first raised the subject of diplomatic relations.

Prime Minister Nkrumah of Ghana, a Marxian Socialist, received a Soviet delegation at independence ceremonies in March and has reportedly agreed to visit the USSR at an unspecified date. In August, he reported Soviet offers to repeat last year's large purchase of cocoa if Ghana would agree to buy Soviet products.

The USSR made its first overture to Somalia in early October, when three Soviet diplomats stationed in Ethiopia

visited the trust territory, probably to lay the groundwork for aid offers and the establishment of a Soviet consular mission.

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The USSR has a large staff in Addis Ababa directing bloc activities in the area, and an invitation has been extended to Haile Selassie to visit Moscow. This followed a Soviet warning in March of the dangers to Ethiopia of maintaining US bases in view of the possibility of atomic retaliation against them.

Soviet activities in colonial Africa, operating primarily through front organizations, have apparently received a low priority but are on the upswing. African Negroes who have come into contact with both Westerners and Communists have been impressed by the lack of color consciousness among the latter.

Soviet propaganda turns frequently to the Union of South Africa--the only independent African nation ruled by "Europeans"--in its attempts to equate the West with racism. The union's apartheid policy is represented as the West's responsibility and the fate of any colony that does not forcibly eject the West. Communist publications--mailed from the USSR, Czechoslovakia, Poland, and Communist China--have eluded postal authorities and by their sheer volume have influenced native thinking.

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COMMUNIST ACTIVITY IN HONG KONG

Chinese Communist activity in the British crown colony of Hong Kong appears directed toward the gradual and peaceful development of Peiping's influence over the local Chinese, subverting the authority of the colonial government, in line with Peiping's contention that Hong Kong is an integral part of China. Despite the opposition of most local Chinese to the mainland regime, the Communists, through appeals to individual self-interests and emphasis on welfare rather than political issues, are continuing their gradual penetration of labor, cultural, and economic circles. The British authorities, while watchful of Communist activities and cognizant of Communist objectives, have refrained from harsh actions that might antagonize Peiping.

The number of hard-core Communists in Hong Kong is believed small. Most local Chinese are apolitical but many, particularly in labor circles, tend to acquiesce to Communist leadership. There are few Chinese Nationalist adherents in Hong Kong, and Kuomintang leadership is ineffectual. Most politically inclined local Chinese regard themselves as independents.

Organized labor constitutes only a small portion of Hong Kong's labor force. Unions under the pro-Nationalist Trade Union Council--comprising 72,000 workers--are handicapped by corruption and preoccupied with political machinations. The council continues to lose ground to the better-led, Communist-controlled Federation of Trade Unions, which unites 110,000 workers. The expansion of the federation--which dominates such strategic fields as ship-building, transportation, stevedoring, and public utilities--has been somewhat offset, however, by an increase in the

number of independent unions, with a total of 16,000 members.

In education, the Communists appear to be making slow but steady gains. Of the colony's some 1,100 educational institutions, 34 schools with a total enrollment of 12,000 pupils are Communist-controlled and over 100 schools probably have been infiltrated. There are 7,450 pupils enrolled in "workers'" schools, presumably run on the same lines as their mainland counterparts. Communist efforts to infiltrate local student groups are encountering somewhat greater opposition than formerly; however, they continue to make headway. The colony's Chinese teachers in particular appear vulnerable to Communist inducements because of inadequate salaries and lack of job security. The British have attempted to check subversion in the schools by prohibitions against political activity and by supervision of the curriculums.

Communist and pro-Communist business and financial groups are permitted to operate freely under the government's policy of free trade. The Communists use economic inducements, such as offering favorable credit terms through the Hong Kong branch of the Bank of China, to appeal to the self-interests of selected local Chinese businessmen. Many Hong Kong businessmen are dependent on trade with China and those who have relatives there or who are fearful of eventual British withdrawal from the colony are particularly susceptible to Communist blandishments. The leaders of the Chinese General Chamber of Commerce in Hong Kong are pro-Communist.

While their "smile campaign" of last year has lost its early momentum, the Communists have successfully reached an increasingly large mass audience through

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high-quality movie, press, and radio presentations that avoid blatant propaganda and have wide audience appeal. The pro-Communist Ching Pao is the colony's third largest daily; pro-Communist press circulation in the last year and a half has risen from less than one fifth to one third of the colony's daily press circulation. On the other hand, Communist attempts to woo prominent Chinese have met with only marginal success. A few newspapermen have been bribed and some Hong Kong entertainers have returned to the mainland. However, Communist strength among leading businessmen, educators, artists, and other leaders of opinion has shown no appreciable change.

When Peiping recently cast itself in the role of champion of "mistreated" local Chinese temporarily displaced by the government's refugee housing program and claimed the "duty

and right" to protect the interests of Chinese residents in Hong Kong, the British firmly rejected any compromise of their sovereignty. They also have resisted Peiping's requests to have an official representative stationed in the colony. Local security forces appear capable of preventing violent or illegal political activity.

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The local Communists possibly would be able to paralyze the colony's internal services should Peiping make a concerted effort to seize Hong Kong, although there is little apprehension over the probability of such a take-over among either the ordinary residents or businessmen investing in the colony's flourishing economy.

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DISCONTENT AMONG CHINESE INTELLECTUALS

Since coming to power in China in 1949, the Communists have achieved impressive successes in some fields, but at the cost of gradually rising discontent among the people. This was dramatically highlighted by the vehement criticism of the Communist party and government which erupted last spring, following repeated invitations by Mao Tse-tung and other regime spokesmen to "bloom and contend."

Leaders of the "democratic" puppet parties were quickly joined by other members of the Chinese intelligentsia--writers, educators, students, artists, scientists, and technicians--in attacks on the entire Communist system. These people are

China's handful of intellectuals, an estimated 4,000,000 in a population of over 600,000,000, the only major group of China's upper and middle classes which has not felt the full weight of the regime's displeasure. The others--landowners, civil service officials of the old regime, and commercial interests--had all been cowed into submission during the five major "suppression" campaigns which followed "liberation."

"Hundred Flowers"

Before 1949 the Communists enjoyed the sympathy and support of many Chinese intellectuals. Disenchantment set in soon after "liberation," however, and received a sharp impetus during

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1955 when the writer Hu Feng and his "clique" were attacked as counterrevolutionary elements.

Peiping's growing concern over the attitude of the intelligentsia toward the regime was underlined in January 1956 when the Chinese Communist party convened a conference where the "problems" of intellectuals were discussed. Chou En-lai's report to the conference revealed the regime's pressing need for willing cooperation from the intelligentsia, whose talents he called the "most precious property of the state." Chou demanded an end to "closed-doorism" which had prevented admission of intellectuals to the party. He urged the government to employ them in jobs suitable for their special skills, to "trust" them, and to avoid interference with their work.

In the following spring, Peiping launched a cautious program of liberalization under Mao Tse-tung's "hundred flowers" slogan. Coincident with the bloc-wide reaction against repressive Stalinism following the Soviet 20th party congress in Moscow, the Chinese Communist government encouraged intellectuals toward freer expression on individual opinion in professional discussions with their fellows, calling on various schools of thought to "contend."

The new dispensation was received by intellectuals with extreme caution, despite repeated calls from regime spokesmen for more vigorous "blossoming and contending." Attempts to stimulate discussion took on new urgency last winter. Apparently with the Hungarian developments in mind, Mao Tse-tung again spoke out for greater expression of individual views in his "secret" speech before the Supreme State Council last February.

The intellectuals continued to hold back, however, until

May, when they were specifically invited by Li Wei-han, director of the party's united-front work department, to assist in the "Cheng Feng" campaign--for party and government rectification through criticism. By the end of May they were participating in this effort with enthusiasm.

Forthright Criticism

The Communists had set the tone for criticism by comparing comments on the "working style" in government and party to a "mild breeze and gentle rain." Peiping evidently expected that nonparty critics would present carefully modulated complaints which would serve as a safety valve and also, perhaps, contain useful suggestions. Instead there occurred what the Communists called an "unusual spring, with thunderstorms and strong winds." Three nonparty cabinet ministers began what Peiping was soon to describe as a "frantic attack" on the entire Communist system. Their charges reflected angry disgust with continued dictatorial rule by a party which had become increasingly grasping and inefficient with years of power.

Chang Po-chun, minister of communications, declared that the party made all decisions for the government, leaving nonparty officials with only nominal authority. Chang demanded a clear-cut separation between the administration and the party.

Minister of Timber Industry Lo Lung-chi asked for formation of a special organization to guarantee that no revenge would be taken on people who spoke out. Lo charged that many innocent persons had been imprisoned or executed during the postrevolutionary "suppression" campaigns. These "mistakes," he said, should be investigated and where possible corrected. Asserting that one party cannot hope to build a new China alone, he called for active

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participation in public affairs by the "democratic" parties and the grant of genuine authority to nonparty officials.

Food Minister Chang Nai-chi had the temerity to say that Communist bureaucracy was a greater danger to the country than capitalism and to declare that China's "national bourgeoisie" was no longer an exploiting class.

Accusations multiplied and grew more savage as the critics warmed to their work. The party was said to be a privileged group which ruled China as a private empire, enjoying luxury and power while the people suffered. Officials complained they were hampered in their work by the incompetence of party cadres placed above them. Scientists, artists, and writers demanded freedom from "supervision" by ignorant party members.

An instructor at People's University in Peiping charged the government with having made a "mess" of things and declared bitterly that "the people who have really gone up in the world are party members and cadres who used to wear worn-out shoes but now travel in cars and don woolen uniforms." China, he said, belongs to the people, and the party's attitude of "I am the state" cannot be tolerated. He predicted that if conditions did not improve, the masses might "kill the Communists," adding that this would not be an act of treason to the country.

Communists Strike Back

The assault on the regime continued without interruption from mid-May until the first week in June, when the party began to deploy its forces for a counterattack. On 4 June an article in the Ta Kung Pao, a major Peiping daily, denounced the "abnormal tendencies" which had crept into the campaign for party and government rectification.

The more authoritative People's Daily--mouthpiece for the Chinese Communist party--joined the fight three days later with an editorial which declared that although large-scale class struggle in China had subsided, "it is by no means completely finished." This was followed the next day by another long editorial demanding "correct counter criticism" as an antidote for ill-intentioned attacks aimed at "undermining the socialist undertakings, the people's democratic dictatorship, and the unity between the party and the people."

Speaking again through the People's Daily on 11 June, the party made its intentions even clearer by calling on all patriots to "draw a line between themselves and the rightists." The editorial pointed out that certain "rightist elements" had taken advantage of the rectification movement to "oppose socialism" and warned that unless such persons changed their attitude, they would become an "utterly isolated, pitiable group."

Coincident with these statements of party views--which Peiping radio later remarked had produced a "marked change in the atmosphere"--came the first personal attacks on the nonparty politicians who had criticized the regime. These attacks came not from the party but from members of the "democratic" puppet parties themselves who now turned on their leaders in an effort to save their own skins.

While these skirmishers harried and wore down the principal "rightists" at frequent symposiums, the party lined up its main forces in preparation for the National People's Congress, which was finally convened on 26 June after having twice been put off. Here the regime launched its formal anti-rightist campaign, the main thrust of which has thus far

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been against the dissident intelligentsia.

Chou En-lai opened the congress with a 30,000-word address in which he accused right-wing critics of trying to wrest state power from the Communist party and return China to capitalism, declaring that the "broad masses will not permit this." Chou scoffed at "rightist dreams" of replacing the Communist system with the "bourgeois system of multiparty politics and alternation in office" and repudiated the rightist view that dictatorship was no longer necessary--noting that "remnant counter-revolutionaries" were still at work in China.

Another speaker, party propaganda chief Lu Ting-i, told delegates that "opposition to the Communist party is treason." Lu warned that the "rightists" had connections with reactionaries both at home and abroad and declared that "it is certain that there will still be a long-term class struggle" which would at times "assume a very acute form."

This prediction was fulfilled as the congress wore on and attacks against the "rightists" became increasingly virulent. By 15 July, when the congress session ended, the intellectuals had been cowed into making abject recantations and the "struggle" had been broadened to include the academic world, the press, the theater and arts, the government, business circles, the armed forces, and finally the Communist party itself, in addition to the "democratic" puppet parties.

Progress of Campaign

To date more than 400 individuals have been identified as rightists, and denunciation meetings held all over China are still turning up new victims. More than 50 have been government officials. The "democratic" parties have been harboring about 150 anti-Com-

munist plotters, according to Peiping's charges. Almost the same number of "enemies" have been ferreted out among China's newspapermen and authors--including editors, subeditors, and reporters on almost every major publication except the People's Daily.

Investigations at 21 schools and universities have revealed more than 70 "anti-socialist" professors, instructors or administrative officers. Eight scientists and 17 businessmen have thus far been included among the accused. None of the 37 Communists charged with being "rightist" is a well-known party figure--with the possible exception of Ting Ling, a famous woman writer and a party member since the 1920's.

Peiping has constructed an elaborate case against the rightists and painted their offenses in the most somber tones. Through exaggerated accusations--some patently fantastic--and repeated public confessions, they have been linked together in an intricate web of conspiracy and charged with the most serious crimes--ties with the Kuomintang, attempts to promote a "Hungarian incident" in China, and ambitions to become "Chinese Nagys."

The regime has not as yet followed up these moves with extensive bloodletting, despite its warning that the rightists have placed themselves "outside the ranks of the people." Only three minor rightists, the alleged leaders of a two-day student riot, have been executed. All three accused cabinet ministers still retain their titles, if not their positions.

Peiping's Intentions

Peiping has evidently finished a complicated political experiment--the policy of "liberalization"--by which the Chinese Communists had hoped to rouse the intelligentsia from apathy to greater usefulness

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by a grant of limited freedom. The instinctive reaction of the Communist leaders when this scheme blew up in their faces was a reversion to familiar tactics of repression. It seems probable that they have now settled on this course as a policy, calculating that silent dissent is less costly than genuine vocal opposition--no matter how restricted--which might in the long run lead to serious trouble.

Party Secretary General Teng Hsiao-ping's recently published report to the central committee plenum last month makes clear the regime's intentions to compel adherence to the party's basic dogmas by both party members and nonparty intelligentsia. Mao Tse-tung set forth both these dogmas in the revised version of his "secret" February speech on "blossoming and contending," which was published on 19 June. Mao established criteria for distinguishing "flowers" from "weeds." Words and actions are proper, he said, if they strengthen Communist party leadership of the state, help consolidate the centralized dictatorship, advance socialist transformation

and construction, and benefit relations among Sino-Soviet bloc states.

Mao's speech was couched in a Chinese style, and presented his criteria as his personal views, with which he said his audience would be permitted to disagree. Teng Hsiao-ping's recent remarks were less polite, and his report was cast in harsh Communist, rather than Chinese, terms. Teng said, in essence, that no one in China would be permitted to disagree with these dogmas. "Contending" now is to be entirely against those who challenge these points.

Many of the intellectuals accused as rightists will probably be able to survive by taking the role of permanent public whipping boy under the new dispensation. A Peiping broadcast of 13 September observed that there was a "market" for some rightists as "mobile textbooks" for the instruction of the masses. Others, however, appear to exist on a narrow margin of borrowed time--available for ready use to impress the populace with the hazards of opposition to the regime.

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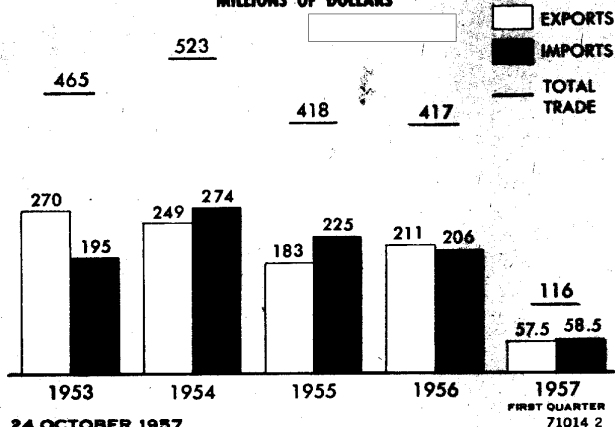
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THE COMMUNIST OFFENSIVE IN URUGUAY

A combination of economic and political factors has made Uruguay more susceptible than any other South American country to Soviet bloc overtures in recent years and has facilitated Communist domination of increasingly large segments of labor. No other Latin American country,

except Argentina, has conducted such a large percentage of its trade with the bloc, and none has established so many new diplomatic and trade ties. In the field of labor, the Communist confederation has outstripped its principal

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anti-Communist opponent in both numbers and influence.

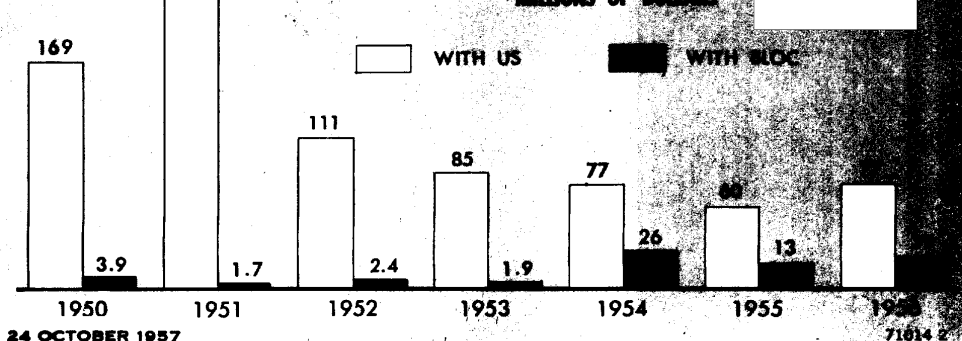
Uruguay's view of itself as the Latin American leader in political and economic democracy has made it an especially attractive target for Sino-Soviet bloc propaganda. The country's vocal opposition to many US trade policies and its deteriorating economic situation have added to its attractiveness as a target. In addition, the high degree of political freedom within the country--where the Communist party is legal and unrestricted--offers wide latitude for the subversive activities of foreign and domestic Communists.

Trade Relations
With the bloc

In 1956, Uruguay traded with seven bloc countries, including China, and increased its trade with these countries by nearly 43.4 percent over the 1955 level. Although the actual value of this trade was only \$18,619,000, it amounted to 4.5 percent of Uruguay's total trade, a percentage exceeded only by one other Latin American country, Argentina.

Uruguayan interest in trading with the Sino-Soviet bloc soared in 1953 when the collapse of the Korean trading boom coincided with the loss of the US market for wool tops--semi-processed wool. Wool tops had accounted for up to 20 percent of Uruguay's dollar receipts in some years. They were in effect excluded from the US market in 1953 by a duty imposed to compensate for Uruguayan subsidies to wool processors.

The effect of these developments was intensified by the inflexibility of the Uruguayan economy, which is subject to extensive government regulation. Nearly 70 percent of Uruguay's

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inadequate foreign exchange is derived from livestock products, and the government's principal attempts to alleviate this situation--subsidies to wheat growers and wool processors--have resulted in a backlog of additional unsalable products. The high cost of Uruguay's welfare state--which employs about 20 percent of the labor force in state-owned enterprises and the civil service--increases the impact of any economic dislocation.

In 1954, the Soviet Union took advantage of this situation to make ostentatious spot purchases of wool and meat worth \$20,000,000 and to sign a much-publicized trade agreement. Faced with a deteriorating trade situation and mounting internal debts, the Uruguayan government responded eagerly to these and other gestures, and in early 1956 became the first and only Latin American country to designate a trade representative to Communist China.

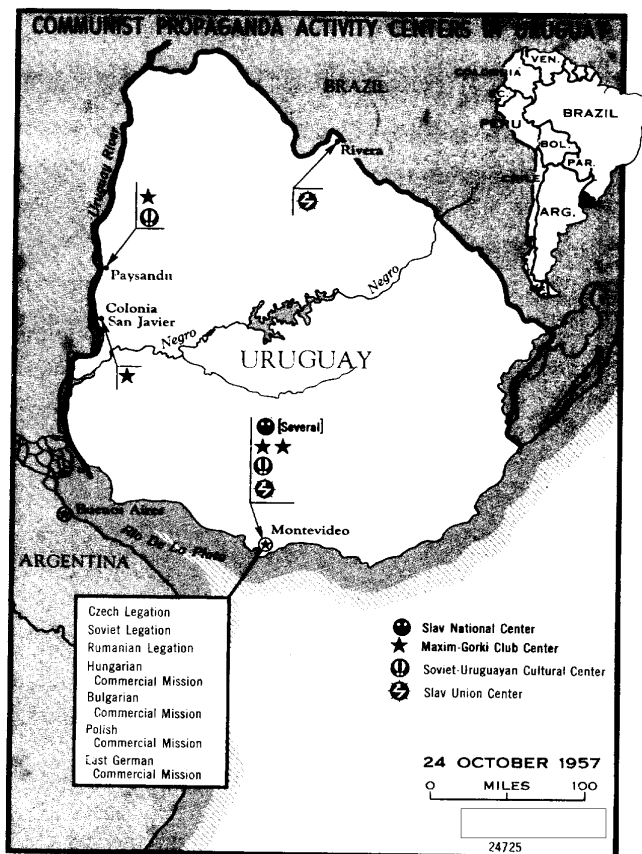
This action followed a visit to the US by Luis Batlle Berres, who was then president, and is still political boss of Uruguay and the dominant member of the executive arm, the National Council of Government. His action was regarded as a gesture of retaliation for the refusal of the United States to alter its tariff policy and surplus disposal program. Batlle apparently also hoped he would be offered a government loan. He told the press on his return that "as a result of US policy, we will sell anything but our souls to

Russia, China, or anyone else." Batlle has also strongly backed acceptance of Czechoslovakia's attractive bid for expanding the Montevideo telephone system --a contract which would give Czech technicians access to the entire telephone system for four years.

Soviet Bloc Missions

Uruguay is host to seven Sino-Soviet bloc diplomatic and commercial missions with an estimated total personnel of 62--a number well in excess of that required for normal activities in Uruguay, with its population of only some 2,600,000. Early this month it was reported that an eighth mission--a permanent Chinese trade office--would be opened soon.

It has been estimated that the Soviet legation spends as



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much as \$2,000,000 a year on propaganda. Czechoslovakia also maintains a legation in Montevideo, and Rumania recently opened a legation following its recognition by Uruguay in 1956. Poland, Hungary, East Germany, and Bulgaria maintain active commercial missions.

The activities of these missions are supplemented by two Soviet-Uruguayan cultural centers, a stream of performing artists, special trade delegations, and groups representing labor, women's organizations and athletic associations. Over 300 such representatives visited Uruguay in 1956. In addition, the Soviet and Czech missions subsidize in whole or in part some 40 journals and newspapers, many of which are distributed to neighboring countries. The bloc missions also maintain extensive contacts with the numerous local Slav colonies and such cultural front groups as the Slav Union and the Maxim Gorki centers.

The Labor Offensive

The local Communist party (PCU), despite its ineffectiveness as a political organization, has made tremendous strides since 1955 in gaining control of labor. Its General Union of Workers (UGT) now speaks for about 95,000 workers --approximately a third of the organized labor force--compared with less than half that number represented by the only effective anti-Communist federation, the Syndical Confederation of Uruguay (CSU). The two organizations were approximately equal in strength in 1955.

The success of the Communist labor offensive is the result of a number of factors, including Uruguay's deteriorating economic situation and a shift in Communist techniques. Following the PCU national congress in 1955, Communist labor leaders adopted a new "soft"

line, avoiding political clichés and concentrating instead on "labor coordinating committees" and sympathy strikes in which they posed successfully as the principal defenders of labor's economic interests.

Taking advantage of the government's reluctance to grant wage increases to its own numerous employees and of employer resistance to the more strenuous demands of the anti-Communist CSU, the Communists in 1956 initiated and gained control of a so-called "labor unity movement" which almost eliminated CSU control of its own unions. At the same time, the Communists infiltrated the CSU's two principal affiliates --the Municipal Workers' Union and the Public Health Employees' organization, comprising 40 percent of CSU membership--and engineered their disaffiliation from the CSU.

The Communist labor offensive has been aided substantially by hostility to the CSU on the part of the government, which apparently regards the confederation as a potential threat in the November 1958 general elections. For example, Batlle Berres, who ran in 1954 on a labor platform which he has not fulfilled, tried to break a CSU waterfront strike in early 1957 by working with the powerful Communist unions. His plan was defeated only when the International Confederation of Free Trade Unions (ICFTU), alarmed by Communist gains in Uruguay, threw money behind the strike and ordered its European dockworkers to boycott Uruguayan ships.

Attitude Toward Communism

The Uruguayan government has consistently dismissed Communism as "a matter of 10,000 votes" and only two seats in the 99-man Chamber of Deputies. There is a widespread feeling in Uruguay that the rightist

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dictatorships in South America present a much greater threat to free institutions, and a conviction, even among anti-Communists, that no appreciable number of Uruguayans will ever submit to the discipline required of Communists.

The government has also taken the position that attempts by Washington to create an awareness of Communist problems in the course of inter-American meetings border on intervention in the affairs of other countries. As a measure of its disdain and its defiance of "anti-Communist hysteria," the government last spring permitted the pro-Communist Jacobo Arbenz, deposed president of Guatemala, to take up residence in Montevideo.

Uruguayans also appear to believe that their pseudo-

socialist welfare state removes any economic basis for Communism. There is evidence, too, that they believe the anti-Communist camp resents their extensive network of state-owned enterprises and wishes to open the country to foreign investment, an idea rejected early in the century by the national hero and "father of modern Uruguay," Jose Batlle y Ordonez.

These traditional attitudes have been cultivated by Luis Batlle Berres, a nephew of Batlle y Ordonez. Although Uruguayans are basically friendly to the United States and tend to support it in any showdown with the Soviet Union, they appear to find the United States a more plausible scapegoat for their economic troubles than the countries of the Soviet bloc.

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